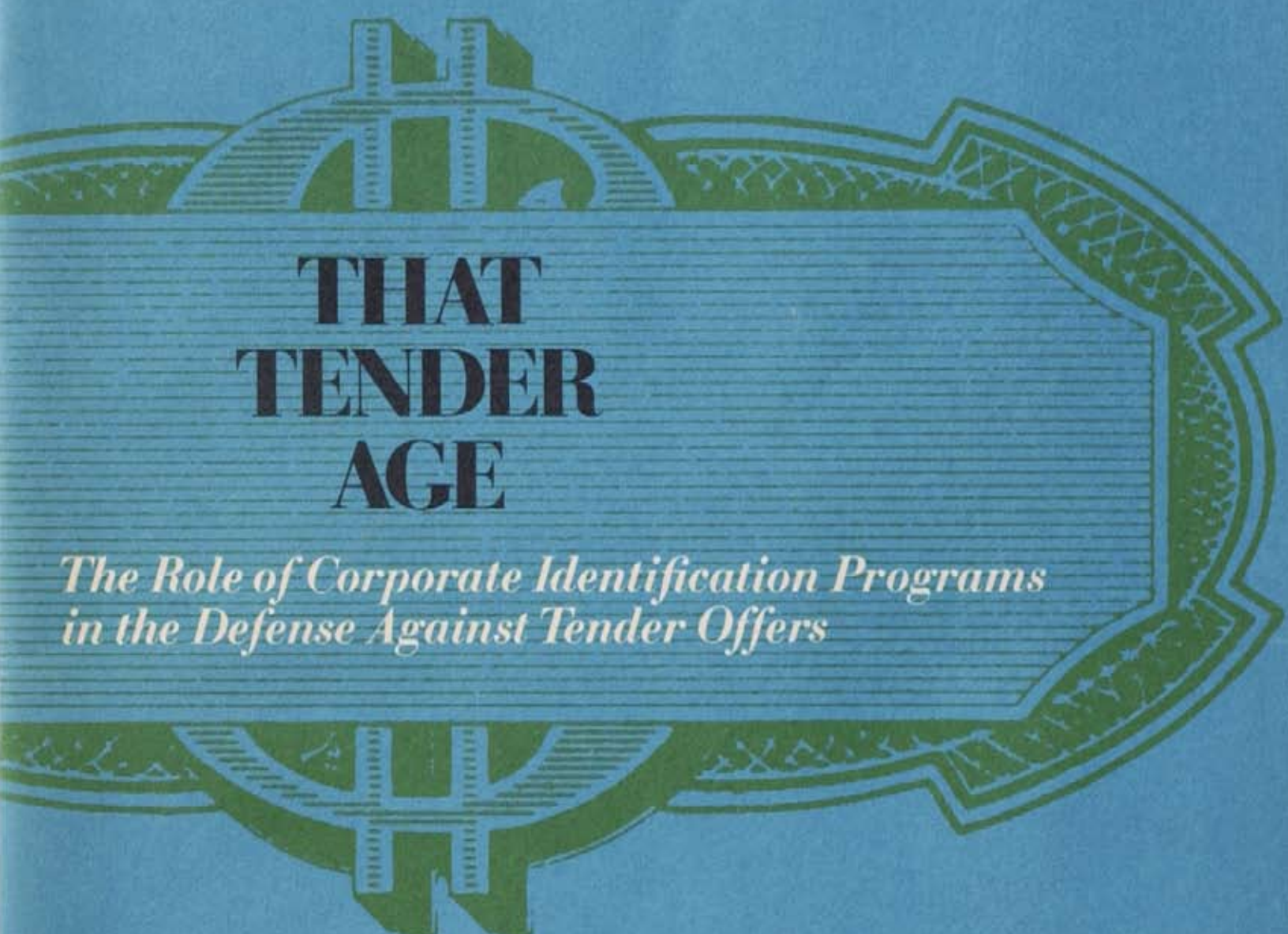


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A Communications, Marketing
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Lippincott & Margulies, Inc.



THAT TENDER AGE

*The Role of Corporate Identification Programs
in the Defense Against Tender Offers*



A Publication of
Lippincott & Margulies, Inc. and Lippincott & Margulies Ltd.
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Tender Offers and Corporate Identity

What's The Connection?

In business there is constant change and no single event can be traced entirely to a single cause. Economic success or failure is normally attributed to many factors. Some are beyond the power of individual companies to control—inflation, energy shortages, governmental strictures, for instance. But some are not. Perhaps the most accessible of these controllable factors is the corporate identity that a company presents to the public. This presentation is entirely within the grasp of management, though its perception is in the eye of the beholder.

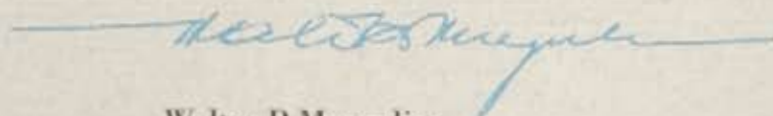
In the same way, many considerations govern the decision by individuals to buy shares in a corporation, to hold these shares, or to sell them. The future of a given industry, the prospects of an individual company, the likelihood of price appreciation and the history of dividend payouts all play their roles. Yet even the most sophisticated investors are affected by the identity created by a corporation's product lines, financial stability, growth potential or management acuity.

In the stock market, therefore, where prices often fail to reflect the strength of a corporation, investors find themselves in a quandary when they are offered an opportunity to tender their holdings for cash far in excess of what their stock would yield at auction on the exchange floor. They become confused by conflicting claims about their company's prognosis, and sensitive to the possibility that they may have misunderstood the corporation's business when they invested. Shareholders suffer from a lack of perception of the true worth of their holdings, and when confronted with a tender offer from an established source, their misgivings are compounded and their resistance to selling gives way.

Those of us who have observed at close hand the recent spate of corporate take-overs by tender offers cannot escape the conclusion that corporate identity is an underlying factor of success or failure, though usually veiled in fiscal and legal issues. When management and shareholders stand united behind the bulwark of a

strong corporate identity, potential raiders are disarmed, or, at the very least, concede that they must pay a higher premium for the stock they seek to acquire. By the same token, the prospective acquirer must consider the light in which his tender offer will be viewed by the holders of the target company's shares. Does his image suggest reliance in his capability to see the offer through to completion? Will he engender the support of institutions holding large blocks of target shares, the confidence of arbitrageurs whose trading is essential to his strategy?

Corporate identity is not a commodity that can be bought in the heat of battle. It must be developed through painstaking research and faithful implementation of a sound program well in advance of the time at which it becomes focal to the company's survival. The image of management, products and financial strength created by a corporate identification program must be broadly accepted if it is to serve the company in its pursuit or defense of a tender situation. Most of all, it is the single most visible corporate asset which is totally within management's control amid a flurry of imponderables.

A handwritten signature in blue ink, reading "Walter P. Margulies", is positioned above the printed name. The signature is fluid and cursive, with a long horizontal line extending to the left.

Walter P. Margulies
President



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be within Gen

THAT TENDER AGE

American business has been acquisitive through most of the twentieth century. Often we overlook this fact, however, and tend to regard a General Motors, for example, as a monolithic giant, forgetful of its origin as an agglomeration of large and small automobile makers. We speak of antitrust laws much as we do of antacid tablets, as something to be invoked when excesses cause discomfort. The mere fact that the first antitrust legislation dates from 1890 serves as a reminder that, for nearly a century, industrialists have recognized the advantages of working the combinations, as it were—combining raw-material extraction with finished-goods production, manufacturing with retail distribution, financing with operations.

It's a safe bet that a good portion of the more than 1,500 corporations listed on the New York Stock Exchange are not what they were when they went into business. Names such as *United* or *Consolidated* dot the industrial landscape in deference to the synergism discovered by entrepreneurs in virtually every business field. Not all of it was born of success. Some mergers were the last-ditch defense of beleaguered companies looking for strength in numbers. Still, the vast majority of corporate combinations can be traced to the need, even more than the desire, to grow in a climate where lack of growth is tantamount to decline.

There is justification for this, even within the strictures of the anti-trust laws. Vertical integration can sometimes be the best way to

Pharos difficult, and

bring a product to market competitively. Absorption of certain competitors, too, can be essential to carving out a large share of the market.

The concept hasn't changed materially, though the methods have. The earliest manifestations of growth through acquisition were friendly, private mergers to build a smoother road to a common goal. Lost in history may be private mergers that were not so friendly, but resulted from business pressures exerted by one magnate upon another. Lacking both government regulation of securities and great sophistication among stockholders, merger decisions then were freely made by those in control, be they friends or enemies.

The broad public awakening to the charms of the securities market in the first quarter of the century brought a new element into play. Even though the captains of industry still controlled the destinies of their companies, they now had to reckon with the avarice of faceless stockholders who saw more profit in trading shares than in keeping them for investment. In the market for gains—quick gains if possible—these stockholders opened the door to those seeking access to a corporation by cornering the market of its shares. Both history and fiction describe scenes of one businessman confronting another, the former snapping his then-fashionable

suspenders while announcing that he now owned enough shares to seize the latter's enterprise. The strategy was simple. The acquirer selected his target and quietly began buying its stock, in his own name and those of others allied with him. With each purchase, the price of the shares increased, prompting more and more public holders to take their profits by selling. By the time the target company discerned the maneuver, the price of the shares might well have soared beyond the ability to counterattack.

Even in this relatively primitive financial warfare, the importance of corporate identification was overlooked. The term did not even exist then. Still, the mention of a company's name conjured up an identity in the mind of the investor—an image of useful and well-made products, of power in the marketplace, of financial strength, or the lack of it. But this identification was seldom articulated, and stocks were bought and sold by speculators, large and small, whose perception of the companies behind the stocks was vague at best. It was the short-term profit that transcended any serious understanding of the issuer.

Changing characteristics of corporate expansion;
the growth of proxy fights and the rise of tender offers.

The crash of '29, depression and war put a halt to most unfriendly mergers. It was not until the high-flying days of the fifties and early sixties that the acquisitive spirit reasserted itself, this time in a legal and economic environment that proscribed the free-



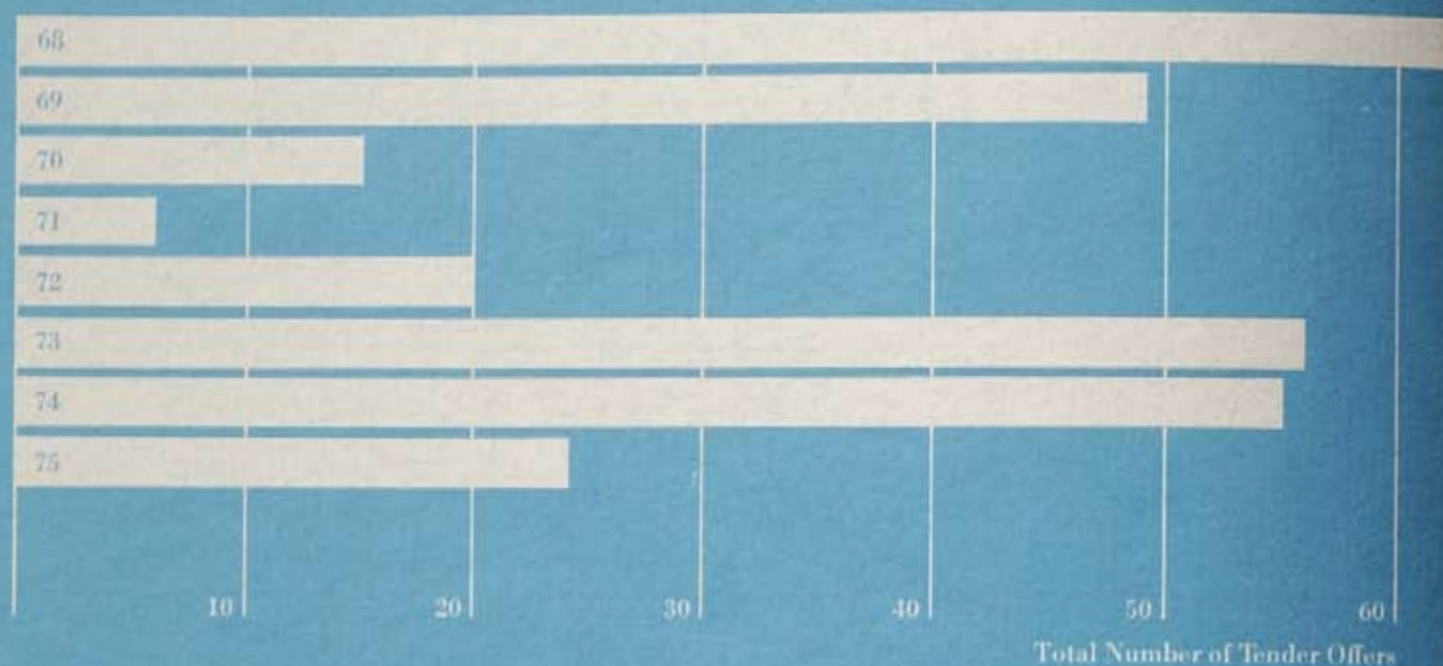
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wheeling tactics of the past. Security regulations, taxes and the emergence of large institutional shareholders made it unlikely that anyone would corner the market again. Instead, friendly mergers were effected by means of "trading stamps" or "funny money," a fascinating melange of corporate paper that included convertible debentures, as well as preferred and common stock issued by the acquirer in exchange for shares surrendered by stockholders in the acquired company.

For acquisition of reluctant corporations, the proxy fight came into vogue. Here the acquirer, needing only enough of a block to assert his rights as a stockholder of consequence, waged a quasi-political campaign to woo the votes of stockholders for his slate of directors. In effect, companies didn't change ownership, they changed management, instead. Once again, public image played a subtle role. The juiciest proxy fights of the era were peppered with charges and counter-charges focusing on the accomplishments, or lack of same, of corporations under their existing directors and officers. An incumbent management that had achieved a positive image of the company and its products stood an excellent chance of surviving a challenge. It could fall back on a strong corporate identity to inform its shareholders that their best interests lay in supporting the continued stewardship of the present management. It could cite sales and earnings statistics with the assurance that they would confirm and reinforce the high-quality image already established in the minds of the shareholders. A management that had neglected to cultivate a meaningful identity for its

The Rise and Fall of Tender Offers



Tender offers, though always a valid form of corporate acquisition, tend to peak when the stock market dips, as demonstrated in this chart. The bear markets of 1968 (reflecting the downturn of 1967 and recovery in 1969) and 1973-74 produced the bulk of the tender offers in the period covered here. During the intervening bull market, there were relatively few tenders.

But this does not mean that acquisitions declined. Given firm stock prices, tenders are expensive and take-overs by proxy solicitation are more practical. It is at such times that the prize can be won more effectively by imposing the acquirer's management slate on the target company without the need to buy its shares.

(Source: The Tender Offer Phenomenon, by Dr. Douglas V. Austin.)

company was doomed to fall under the onslaught of promises of better things to come, made by raiders whose own image overshadowed that of the company under attack.

The decline of the securities market in the late nineteen sixties and again in the early seventies, coupled with a sagging economy, put a new face on corporate expansion. At its depth, shares of even the most substantial corporations were being traded at no more than two or three times per-share earnings. Indeed, prices often dipped well beneath book value, the hypothetical value of each share were the corporation to liquidate. Though some investors could recognize the bargains inherent in such price levels, few individually had the nerve or foresight to buy heavily.

However, what discouraged individuals, failed to daunt expansion-minded corporations. They saw a golden opportunity to acquire, at momentary bargain rates, companies beyond their grasp at any other time. While the technique was not new, the concept of asking shareholders to tender their shares for cash at prices well above the market took solid hold. The trend began modestly in the middle sixties, fell back slightly during the boom market of 1970-71, and then regained its momentum. And, judging from the current spate, the wave is far from receding, barring some legal or economic development to make it ebb.

Tender offers may be in their adolescence,
but they are no passing financial fad.

The tender phenomenon of the late sixties and early seventies has been examined in detail by Dr. Douglas V. Austin, chairman and professor of the Department of Finance, College of Business Administration of the University of Toledo. What emerges from his studies and interpretative work is the changing nature of tender offers. During their first upsurge between 1968 and 1972, some companies tendered for shares of others with an exchange offer of their own stock. However, as the stability of the securities

market began to erode, the swing to cash offers quickly took center stage. Moreover, the premiums offered, i.e., the price above open-market trading, rose substantially even as prevailing price-earnings ratios declined.

Just as significant is Dr. Austin's finding that while the success ratio of tenders climbed, the battle to prevail became ever fiercer, sparked largely by the growing sophistication among target companies in deploying legal and other strategies. Coupled with this, the Austin studies show that partial success must now be regarded as tantamount to total success. Raiding companies that fail to meet their original goal of obtained shares no longer withdraw from the field, but rather keep those shares that were tendered to them. They then pursue total control of the target company, either by a subsequent tender offer for the outstanding stock, or by a proxy bid for seats on the board.

Let us examine these facets more closely.

During 1968-72, the average bid premium was less than 25 percent above market price. In the 1972-75 period, more than 53 percent of all tender offers exceeded a 35 percent premium. And the relationship of successful to partially successful offers must be tied closely to this empirical evidence. Dr. Austin states it this way:

"Whereas the successful tender offers have continued to decline through defensive ploys, the corporations doing the attacking are more and more willing to accept partially successful outcomes for their tender offers rather than withdraw from the fray. During the 1972-75 period, the total number of partially successful tender offers rose from less than 3 percent to almost 30 percent. This willingness to accept a partial loaf is a dramatic change from previous periods involving the tender offer phenomenon and undoubtedly reflects a trend which will mount in the future, as the successful tender offer defender is able to deploy his strategy successfully."

Strategies to fend off tender offers are constantly evolving. In addition to legal ploys, many corporations are staggering terms of their directors, making it difficult for a raider to gain control of



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the board in one move. Another tactic, usually deployed under fire, is the quick acquisition by the target company of another concern, specifically one whose operations are governed by a Federal agency which must then give its approval to the take-over by the tenderer. In some cases, too, target companies have a shotgun marriage with a firm whose product lines threaten the tenderer with antitrust problems.

In 1974, Austin's data recorded 27 successful and 18 partially successful tender offers, but only 10 unsuccessful ones. If one combined these with 11 uncontested tender offers that succeeded wholly or partially, the success-ratio picture emerges even more boldly. In any event, of the 55 contested offers made that year (this excludes companies tendering for their own stock), a total of 45, or nearly 82 percent, must be deemed to have met their objective.

One leading investment banker takes this view of the situation.

"Some companies are logical candidates to be absorbed. Of these, a good many accept the tender offer in friendly fashion and recommend that their shareholders do likewise. But there are a few who seek to preserve management autonomy at any price and embark on tender warfare on weak grounds from the beginning. Their surrenders eventually come to be factored into the overwhelming success ratio."



Complexities of tender offers—business advantages, financial opportunities, emotional appeal.

A tender offer has several advantages over other methods of acquisition. The tenderer can gain control of a company it feels it needs or likes at less than its liquidation value. If the tender offer yields more than 50 percent of the outstanding shares—the usual minimum objective—the acquiring company can then consolidate the earnings of the target corporation into its own. Since the shares were tendered at a low price-earnings ratio, the usual effect is to produce a marked increase in the conqueror's earnings-per-share. Moreover, the difference between tender price and the acquired company's book value can often be written off as depreciation, enhancing the financial picture even further. Finally, a tender offer that isn't too drawn out in acrimony can be a quick and inexpensive way to lay hold of a corporation whose products, distribution channels or plant facilities mesh well with those of the acquirer.

From the standpoint of the unaffiliated stockholder, however, a tender offer has a blend of financial and emotional appeal. Recognizing that the offer is for more cash than the stock would yield in any foreseeable open-market sale, he is sorely tempted to sell and take his profit. Still, he may stack his faith in the company and its future, against the investment potential of the cash he would receive if he tendered his shares. Or, equally important, if he has a clear and positive image of the company, he might not

sell. A.J. McMullen, chairman of the board of Garlock, Inc. spoke bluntly when he tried to dissuade Garlock's stockholders from tendering their shares to Colt Industries.

"You might also wish to ask yourself what you will do with the money you would receive after you pay your taxes. Put it in another investment? Why not stay with Garlock? Garlock has approximately tripled its sales and earnings in the past ten years. It has paid continuous dividends for 70 years. It has had 14 consecutive years of earnings increases. And it continues to grow."

But, were these the facts that quickly came to mind when the name of Garlock was mentioned—even to a stockholder? Clearly they needed stating at the critical juncture of the tender offer, but they should have been firmly fixed in the stockholder's mind long before Garlock became a target company.

Dramatis personae—buffeted shareholders,
all-powerful institutional investors, regulated
pension-fund managers, clever arbitrageurs.

The individual shareholder does not usually have time to absorb a belatedly organized corporate identification program. As arbitrageurs enter the market for stock of the target company, as they usually do as soon as the tender offer is on the table, shareholders will see the stock rise. If they have a favorable perception of the company, they will consider this price increase as vindication of their faith and decide to hold the stock. If shareholders have a blurred, indistinct image of their company, they often sell their holdings and leave the cream of the tender offer to those involved in the arbitrage. It's Wall Street's version of the birthright sold for a mess of pottage.

While detractors sometimes view arbitrageurs as the hyenas of the take-over scene, some leaders of the financial community feel otherwise. The senior partner of a Los Angeles investment banking firm puts arbitrage in a more technological light.

"Arbitrage is the valve mechanism that channels the inflated flow of shares when acquisition by one company of another's shares seems imminent. This is true not only in tender situations, but in all types of acquisitions that involve stock."

The question in tender offers is why will stockholders so readily give up their shares which they bought, one must presume, with some measure of faith in the company and belief in its projected image? Is that faith enough, and has management done enough to sustain that favorable perception held by stockholders?

*of the par value of \$1 each, of the capital stock
Railroad Company, transferable on the books of
reason, or by duly authorized attorney upon the sworn
side properly endorsed. This certificate is not valid un
ed by the transfer agent and registered by the registra
the seal of the Company and the signatures of
orized officer is this*

Some clues are provided by three tender offers that were in the headlines during 1975 and 1976 because of the resistance thrown up by the target companies. The cases in point involved United Technologies' successful bid for Otis Elevator; the take-over of Copperweld Corporation by Societe Imetal; and General Cable's quest for Microdot. All but the Copperweld battle involved well-known corporate names on both sides of the fence. In the case of Copperweld, the tender came from a foreign entity which is not a household word, but whose chairman, Baron Guy de Rothschild,

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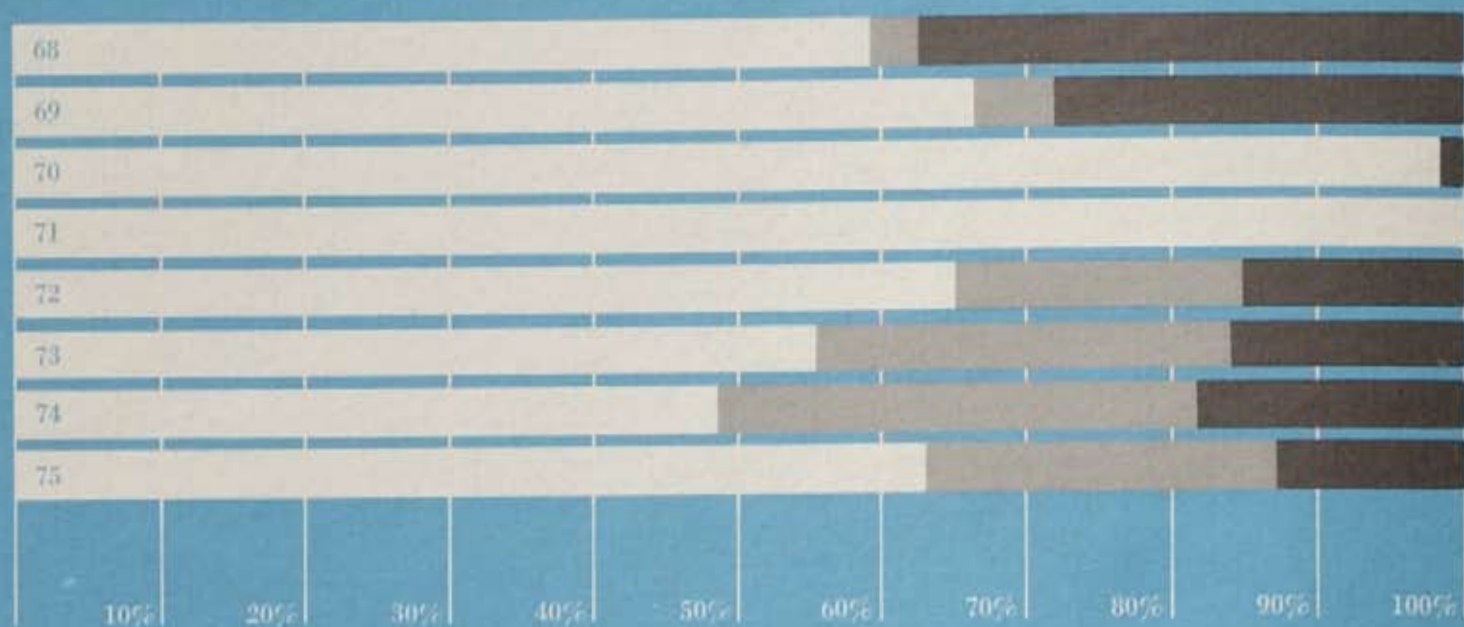
is. In counterpoint with the extensive legal maneuvers, shareholders in all of the target companies were reminded with recitations, by letter or advertisements, of their companies' glorious pasts and limitless futures. These were, in fact, pleas not to surrender their stock. But were these exhortations too late? Were they even effective? If money is a fair measure, some of them were, by eliciting fatter offers—more dollars per share and a willingness to accept more shares—from tenderers. But if the true goal was preservation of corporate sovereignty, the exhortations failed to stave off ultimate surrender for some of the companies.

For sheer financial and legal maneuvering, the tender-offer battle of Microdot against the onslaught of General Cable Corporation had no peer during 1975 and 1976. General Cable's offer was finely tuned to entice arbitrageurs and stockbrokers into action on its side. Microdot, among its various defenses, fell back on an Ohio state law so tough on proposed take-overs as to make the Federal establishment blush. As a *pièce de résistance*, Microdot's chairman, Rudolph Eberstadt, Jr., threatened to liquidate his company and leave the raiders without spoils. The denouement of the affair saw General Cable withdrawing its offer and Microdot subsequently accepting a tender offer from Northwest Industries.

However, disputed or prominent tender offers that hold the spotlight are the tip of the iceberg. In the time span that these mentioned cases moved toward final resolutions, more than 20 other tender offers were successfully made against token or non-existent resistance. These companies—managements and stockholders—succumbed quickly and quietly vanished into corporate history, leaving few who would remember their names, let alone their identities, a few years hence. How imposing, one may wonder, was their image in the first place?

Another key fact that must not be ignored is that institutional investors hold much of the stock for which tender offers are made. If one pension fund alone were to decide to tender its holdings, it could bring the acquirer as much as 10 percent closer to his goal. To offset this tremendous power, there has been the appearance on the scene of ERISA (Employee Retirement Income Security Act). Also known as the Pension Reform Act, it imposes particular

The Odds Are Eight-to-Two



Experience has shown that partial success of a tender offer is tantamount to complete success, because the tenderer can subsequently acquire full control of the target company by other methods.

Successful
Partially Successful
Unsuccessful

As shown in the chart, the ratio of totally successful tender offers declined somewhat after 1971. However, the effective success rate, consisting of both totally and partially successful tenders, has remained steadily high since 1971. These statistics indicate that since 1970 a target company stands only a 20 percent chance of surviving a tender offer. (It should be noted that the 100 percent total success ratio of 1971 reflects a dearth of tender offers in that bull-market year, and those few all succeeded.)

(Source: The Tender Offer Phenomenon, by Dr. Douglas V. Austin.)

strictures of prudence on pension fund managers. Faced with the decision to tender or not, they must be able to justify their decisions. Here the solid buttress of a strong corporate image, not only in their own minds, but in the community at large, can affect the outcome.

"A corporate identity should be nurtured by a company long before the fat is in the fire."

A Wall Street securities lawyer said succinctly: "When you scan the tender offers, you usually find that they are made for 25 percent or more above the current market price. And the rebuttal usually is one of 'it's not high enough.' What this boils down to, in the mind of the shareholder, is whether the stock is likely to rise above the tender price, based on the company's prospects. Obviously this becomes a matter of perception. Here is where a corporate identity should be nurtured by a company long before the fat is in the fire."

Like all else in life, the success of a tender offer does not hinge on black and white factors alone, but rather on shadings of financial, legal and identity considerations, feels John C. Wilcox, an associate of Georgeson & Co., the nation's leading proxy solicitation concern. During 1975, Georgeson & Co. was involved in 49 tender offers, representing companies on both sides. One major element in the strategy of a tender offer is the whereabouts of the shares. Stock held in street name is certainly more accessible, he explains. Since the holder of record is the brokerage house—the beneficial owners are unknown to both the company and its prospective acquirer—the broker often becomes the key figure in the control shift. He can advise his customers to tender, or he can suggest they sell in the market, while the on-going offer has raised the price of the stock. If the shareholder sells, the stock most likely will make its way into the hands of arbitrageurs who can be counted on to tender it since that is how they make money. Not to be forgotten is the commission the broker earns when he persuades his customer to sell or tender, plus the commission on reinvestment of the proceeds. Either way, then, street-name stock is usually written off by the defending corporation. Much the same is true of stock held by institutions.



The individual stockholders are the unknown quantities on the battlefield. They made their investments usually with a view to dividend income and long-range appreciation, and ponder their decisions in that light. To tender will bring them an immediate capital gain of known dimensions, albeit a taxable one. It also confronts them with the problem of replacing the stock with an equally suitable investment. Depending on the terms of the tender offer, the individual shareholder must also reckon with the risk of having his shares returned to him if the take-over falls through, possibly many months later—returned, most likely, at a time when the price has dropped back to pre-tender levels. Selling in the market, after the tender offer has nudged the stock upward, results in an assured, though smaller, gain and the same tax and reinvestment dilemmas. Faced with these choices, the individual stockholder will consider his feelings and perceptions of his company. It is at this point that a sound and well established corporate identification program will stand the defending company in good stead.



A case in point was the 1974 assault, protracted through a whole year of legal wrangling, on Ronson Corporation by Liquifin A.G., a corporate shell domiciled in Liechtenstein. At the end, Liquifin wound up with only 36.4 percent of the shares, far short of its stated objective. Experts feel the fact that Ronson and its product lines are household words undoubtedly played a prominent role in the outcome. Also, one wonders whether the result would have been speeded had Ronson management not maintained a low-visibility profile during the years just preceding the tender offer.

An aristocratic foreign raider withstands the
“Frenchie Go Home” syndrome of the
American heartland.

The Ronson experience also focuses on another identity factor—when the take-over company is foreign. Though modern, sophisticated business recognizes no national boundaries in the game of financial power, the individual investor still tends to be wary of foreign control of American companies. This was one of the nuances in the hard-fought defense by Copperweld against France-

based Imetal's tender offer. The latter concern, virtually unknown stateside, is controlled by the Rothschild interests, a well-known name to be sure, but not one to warm the hearts of stockholders in America's heartland. Indeed, this emotional flame was fanned in a full-page Copperweld advertisement in leading newspapers. It stated in part:

"Those who know and work at Copperweld every day realize that the last five years were only the beginning—that there is much more ahead in terms of rewards for our shareholders, our employees, and the communities where we are privileged to do business."

In the same message, Copperweld also makes what can be interpreted as a belated, last-ditch attempt to reinforce its corporate identity and stave off a sell-out.

"No longer are we the small nonintegrated steel company we once were. Today we are a lean, hard-driving, profitable and growing manufacturer of high-technology materials; and our potential for the future is very promising."

Following the success of Imetal's tender offer for Copperweld, Baron de Rothschild offered his own view of the battle. He knew Copperweld's labor force mounted a campaign of "Frenchie Go Home" against the foreign insurgents. But he also knew the successful take-over took place, as he described, in an atmosphere where freedom of expression, sense of fair play and "almost religious respect for the law" were the rule. Another indication that the shareholders were given clear alternatives and reacted to their perception against Copperweld.

This, in essence, is what Georgeson & Co.'s John Wilcox tells shareholders when his firm is acting for defending corporations:

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"We remind them that they own shares in a good company," he says. "And we try to explain to them that the company's excellent prospects and implicit values may unfortunately not be recognized in the current price of its stock."

This goes to the essence of the tender offer. The acquirer has recognized the excellent prospects and implicit values, as well as the undervalued price of the target company's shares. The question, therefore, is: Who is eventually going to benefit from this recognition—the incumbent shareholder or the acquisitive maker of the tender offer? If it's to be the shareholders, the sooner they are aware of the inherent future of their holdings, the less effective the tender bid will be, other factors notwithstanding.

The clash of strong corporate identities and the financial effect on unfriendly tender offers.

These other factors cannot be ignored. The final surrender of Otis to United Technologies may prove the point. Both companies had strong, corporate identities. The prominence of Otis within its industry was widely acknowledged. Its corporate stature of solidity was never challenged. Pitted against this was United Technologies, only recently renamed from the familiar United Aircraft to reflect the company's burgeoning diversification. Here, the battle of identities may well have ended in a standoff. The decisive element was the financially attractive offer ultimately made after Otis failed to find a friendly merger partner. In the process, however, this search exerted pressure on United for more favorable tender terms.

Based on his findings, Dr. Austin is inclined to attribute tender successes primarily to the willingness of shareholders to take their cash profits when the premium is particularly attractive. Defenses that he sees for target companies—and the defending management must resign itself to an eight-to-two chance of losing—stem primarily from the legal trails blazed by other companies forced to tread the same path, as well as direct appeals to the stockholders to hang on to their investments.

Managements, nowadays, cannot anticipate from where a tender offer may be launched. In the present climate, a corporation can never consider itself immune from attack. At the very most, a strong corporate identity that reflects itself in a high market multiple for its shares can lessen the likelihood of a tender, making it too expensive for the raider. At the very least, a strong identity should produce a higher premium bid. True, defensive tactics often force the tenderer to raise the original bid after the battle is joined, but there is much to be said for forcing the attacker to start with the highest possible figure. This factor also gains significance when management successfully defeats a bid. Once tendered, a company is "never a virgin again," in Dr. Austin's words, so logic dictates that a new offer, even from a different tenderer, must be richer than the one that was defeated.



Corporate identification—the one lever over which management has hands-on control

Clearly, no one facet of corporate operations can either prevent tender offers, or single-handedly defeat them, particularly in this tender age. But, one must reach the conclusion that there is no time like the present to sharpen the tool over which corporate management has more hands-on control than any other—the development and implementation of a sound corporate identification program that can serve as the communications lever to countervail the financial inducement of a tender offer.

Particularly important when corporations develop an identity program is, of course, the approach made to shareholders. This key audience group, easily the most accessible and identifiable is, perhaps, for those very reasons often overlooked. As mentioned before, this group has a built-in interest—financially and often emotionally—with the corporation. Any identification program must work to improve this equity with shareholders. In a tender offer they can be the strongest line of resistance against an unwanted take over.

Corporate identities, however, do not just happen, and most emphatically not in the throes of crisis. Nor can they effectively be communicated to the investing community, and the public at large, in the haste that tender offer emergencies demand. Corporate identities must be developed as a company's strengths are clearly established, and these identities must be given time to be established in the public mind.

What are these strengths? Sometimes they are difficult for management to discern in the welter of day-to-day business activity. One company's strength may be its very size, another's the familiarity and wide use of its products. Still another may be the momentum of its long-established place in the community, or the brilliance of a management team. To determine which of these strengths, among many, and in what combination, conveys the strongest corporate identification requires objectivity—an objectivity that outside consultants with detachment can best provide.

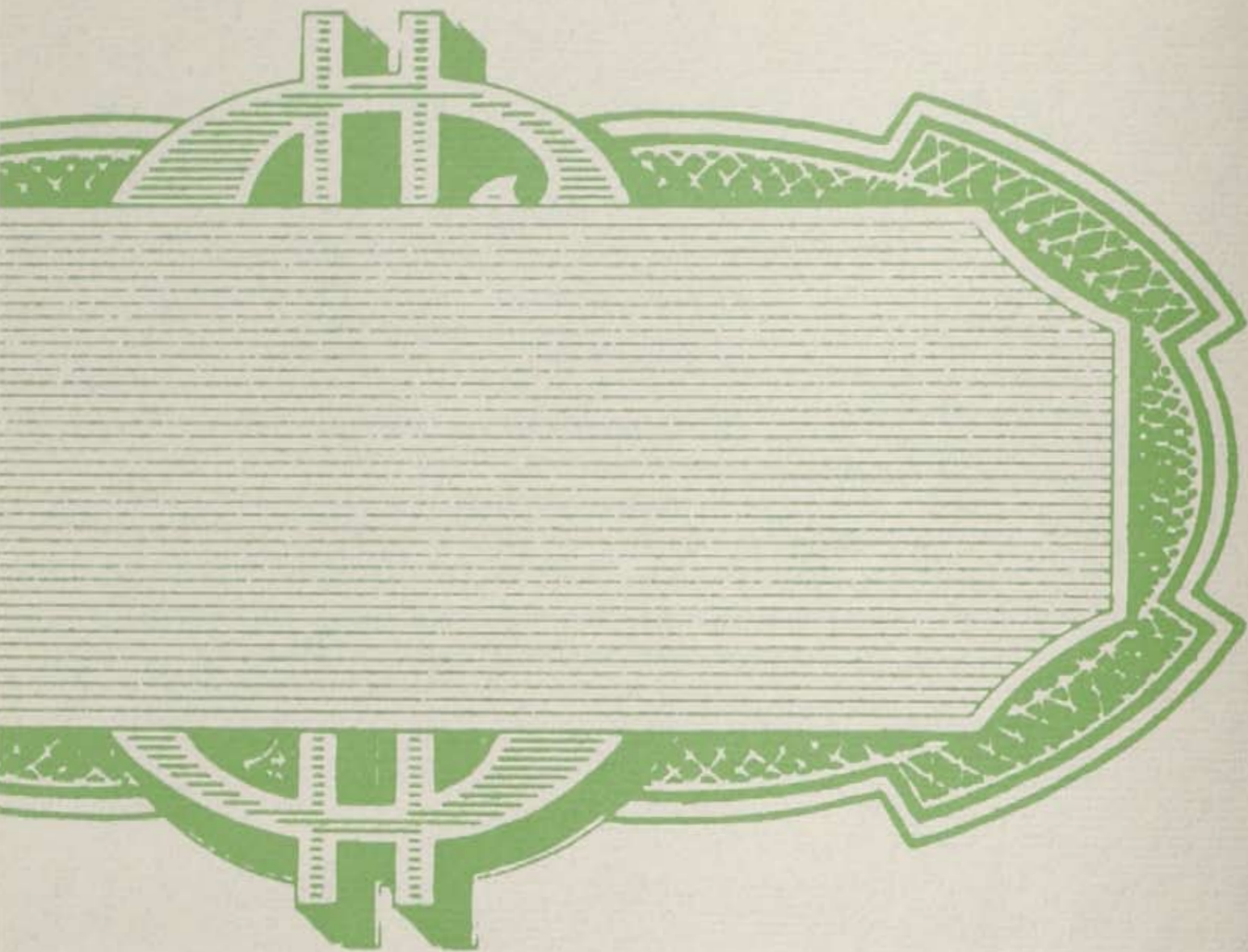
To determine your own needs concerning a more positive identification stance, it is often helpful to ask yourself a number of questions, and then assess the answers as objectively as possible. For example, how is your company perceived by its important publics? Do key audiences know exactly what your company does? How are you viewed in relation to your major competition?

Does your corporation have consumer exposure with products or retail operations? If so, do your stores and products present a vigorous, positive presentation of your company? Do they provide an overall impression and atmosphere that is complementary and in line with your marketing goals?

Concerning financial audiences, is your P/E ratio where it properly belongs? Is your company followed by the right type of analyst? Are financial audiences fully aware of your company's performance? Of your management team? Is your firm viewed simply as an investment opportunity, or is there an aspect of your company that transcends this? These are critical questions that need affirmative answers in this age of tenders. These are questions that are simple to ask, but considerably more complex to answer. Yet, how they are answered can very much affect your corporation's future, especially when, for one reason or another, a company finds itself under stress or attack.

It is the role of the corporate identification professional to mold the many methods of communications into a practical, goal-oriented corporate identification program. The list of disciplines called for in a program of this type is considerable, including communications planning, nomenclature, corporate graphics, advertising, financial communications planning, promotion and environmental design, to mention some. When one considers the literally thousands of ways a corporation communicates, then one can appreciate the potential of a carefully planned, coordinated program that ties together, in a meaningful way, all these disciplines of communication.





Whatever they are, these identification programs are not exercises in corporate vanity. Indeed, it might be vanity, of a dangerous nature, to feel that your corporation is not in need of professional assistance and consultation. We are in the age of tenders, and the bulwark of a strong corporate identity can give great strength to your position when communicating to shareholders in a tender situation. More importantly, a clear corporate identity can work to influence potential raiders from even considering the fight.

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